

Washington State Auditor's Office
Special Education Program Audit
Audit Services

Report No. 58272

BRINNON SCHOOL DISTRICT NO. 46

Jefferson County, Washington

September 1, 1995 Through August 31, 1996

Issue Date: May 30, 1997

May 30, 1997

I am pleased to report the results of our program audit of Brinnon School District No. 46 Special Education Program covering the period September 1, 1995, through August 31, 1996. This report was prepared under the authority granted by Chapter 283, Laws of 1996.

Our audit gives an independent, accurate assessment of the condition of the program during the period we reviewed. I hope it is used as a constructive management tool to help the school districts improve their operations and to help the Legislature and others in policy decisions on special education funding.

Sincerely,

BRIAN SONNTAG, CGFM
STATE AUDITOR

Copies transmitted to:

Karen Martin, Chair of the Board of Directors
James Workman, Superintendent
Julie Baker, Special Education Director
Sue Hardie, Business Manager
Educational Service District No. 114
Marcelyn A. Senger, School Business Services-Supervisor of Audit Management and
Resolution, Superintendent of Public Instruction
Safety Net Committee
Jim West, Chair, Senate Ways and Means Committee
Tom Huff, Chair, House Appropriations Committee
Cheryle Broom, Legislative Auditor, Joint Legislative Audit and Review Committee
Edie Harding, Washington State Institute for Public Policy
Laurie Fortier, State Publication Distribution, State Library
The Honorable Christine O. Gregoire, Attorney General, Office of the Attorney General

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Brinnon School District No. 46 Special Education Program Audit Report Summary

BACKGROUND

The State Auditor's Office was given responsibility for auditing special education programs by the Legislature. Lawmakers were concerned about special education programs that exhibit unusual rates of growth, extraordinarily high costs or other characteristics requiring the attention of the State Special Education Safety Net Committee. The Safety Net Committee was created to oversee state and federal special education funds set aside by the Legislature to assist school districts with demonstrated financial or program needs not met through the special education funding formula.

The Brinnon School District is among approximately 30 school districts to be selected for a program audit this fiscal year. The district was selected based upon its application for additional funding through the state safety net in 1995-96.

AUDIT RESULTS

Objective 1:

To determine whether the Brinnon School District effectively and efficiently provides a Free and Appropriate Education (FAPE) to special education students as defined by the Washington Administrative Code (WAC).

Conclusions:

- In our opinion, the district provides FAPE to special education students. The services are designed to meet the needs of students with disabilities to the same extent as students without disabilities.
- The district has begun to limit referrals to special education as part of an effort to decrease special education enrollment.

District Response:

The Brinnon School District has read and agrees with the report from the State Auditor's Office. This district is concerned about the possibility of the report implying that we are doing "just fine" with the new funding formula. We would not agree with that conclusion.

The district would like to address this issue with a response to Objective 1 regarding the potential impact the new funding formula has on continuing to provide a Free and

Appropriate Public Education (FAPE) and with a response to Objective 4 which discusses this district's need for the attention of the Safety Net Committee. We consider these two issues to be intricately related.

The Brinnon School District was able to provide an adequate special education program for students in need due to the dedication of district personnel and the funds generated by the Safety Net process. We are concerned that the new funding formula does not recognize the differing needs of students from one year to the next. For example, in the school years of 1994-95 and 1995-96, this district had approximately 1/4 of our special needs students with high needs (i.e. 1/2 day in self-contained classrooms, one-to-one direct teaching and behavior interventions). In 1996-97, nearly all of our special needs students are in the program level which requires a moderate to minimal program (i.e. 60-90 min./day outside of the general classroom plus curriculum adaptations and direct teaching methods in small groups). Yet, the funding formula only counts students, not the amount of time which needs to be spent with them by staff.

The district can not operate efficiently on a daily basis with appropriate programs for all students while the availability and granting of safety net funds remain uncertain. The mismatch in the timing of receiving these funds creates further problems. The district may have students who require a full-time assistant at the beginning of the year, yet not know if sufficient funds will be available to cover such expenditures until nearly the end of the year.

As a small, rural district, Brinnon already has to deal with limited quality resources and personnel. The new funding formula adds the uncertainty of available funding. We have maintained a high quality special education program due to dedicated administration and teaching personnel. However, we can not provide for the needs of special education students at the risk of taking from the general education population. The school district is put into a precarious position when it is legally mandated to provide a free and appropriate public education, yet runs the risk of not being funded. Inadequate and/or delayed funding puts the district in the position of denying necessary services to special education students (illegal) or taking money intended for non special needs students into the special education program (unethical). It is this districts position that the current funding formula without the safety net funds is inadequate to provide FAPE and that even with the safety net provisions, the uncertainty and timing of the granting of these funds make it impossible to provide an efficient program from the beginning of the school year without negatively impacting other programs in the district.

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Objective 2:

To evaluate the Brinnon School District Special Education Program system of internal controls that ensure compliance with state and federal special education requirements.

Conclusion:

- The district has adequate policies and procedures.
- The district is aware of and follows the eligibility criteria for counting a student on the monthly P-223H Form.

District Response:

No response.

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Objective 3:

To verify that the Brinnon School District Individual Education Programs (IEPs) are appropriate and properly prepared.

Conclusion:

- The 20 special education files reviewed were appropriate and properly prepared.

District Response:

No response.

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Objective 4:

To determine why the Brinnon School District Special Education Program exhibits high rates of growth, extraordinary high costs or other characteristics that require the attention of the Safety Net Committee.

Conclusion:

- The district's special education enrollment grew 5.8 percent from 1994-95 to 1995-96. The primary cause of this growth was students transferring to the district with IEPs.
- The state funding formula generated less special education revenue for the district in 1995-96 than the previous year although the district served more students.
- The district received awards for Maintenance of Effort State Revenue (MOESR), special costs and characteristics and high cost student from the safety net. The district

was one of only three districts in the state to receive funds for the special costs and characteristics category.

- The district had no significant change in the services provided between 1994-95 and 1995-96. The district provided appropriate and necessary services to its special education population with available revenues, including safety net awards.
- The district made each special education student's entire basic education allocation available to the special education program in 1995-96.

District Response:

The Brinnon School District has had and continues to have a percentage of special education students well over the 12.7% funded by the state. Historically 20-30% of our students have been in special education. Without denying proper identification of these students, we do not expect to see our special education population at or below the 12.7% state average.

The district has received safety net funds for 1995-96 and 1996-97 which have allowed us to maintain an appropriate special education program. We would not have been able to fund this program without safety net funds without putting other, unrelated district programs in jeopardy.

The safety net has ultimately funded the district at or near the special education student population/needs, but the process is costly, time consuming, and stressful. The state needs to pay for the safety net committee and associated costs; the district needs to pay in time and dollars for personnel to fill out the applications and in stress for program juggling while the district waits to learn what revenues will be available for the year.

The special education program at the Brinnon School District was monitored in 1995-96, audited in 1996-97, and has annual child count verification. All agencies have found our categorizing of student to be appropriate, yet the state funding formula insists it wants to fund us at 12.7%. If the state is committed to adequately funding all students, then it should be looking at their actual number of students and not at some arbitrary state-wide average. If it wants to use a state-wide average, then determine the average cost per student and fund districts that amount for their actual students. That, of course, raises the issue of different costs for different types of students. We know it is not a simple problem with a simple solution, but the current formula, even with safety net funding, is not the solution.

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Objective 5:

To identify elements of the Brinnon School District Special Education Program that could be considered for implementation at other school districts.

Conclusion:

- We did not identify specific elements of the district program that could be considered for use at other districts, however, the district is committed to meeting the individual needs of its students.

District Response:

No response.



The Report Summary contains the district's full response based on our conclusions in the Report Detail section.

Brinnon School District No. 46 Special Education Program Audit Report Detail

INTRODUCTION

This report contains the results of a program audit we performed on the Brinnon School District Special Education Program. Our audit covered the 1995-96 school year. The field work was completed on February 6, 1997.

BACKGROUND

In 1995, the Legislature revised the state special education funding formula (Chapter 18, 2nd Special Session, Laws of 1995). The formula incorporates three significant changes: (1) the move to an “excess cost” funding model that includes only the costs of a child’s special education above basic education funding, (2) establishment of a maximum index of eligible special education enrollment per district and (3) a single allocation of funds per student without regard to a student’s disability.

The Legislature set aside nearly \$40 million in state and federal funds to assist school districts with demonstrated financial or program needs not met through the funding formula. This “safety net” was required due to a 1987 court decision in the case, *Washington State Special Education Coalition v. State of Washington*. The court requires the state to provide a safety net when special education funding is based upon statewide averages. A State Special Education Safety Net Committee was created to review applications for safety net funds. The State Auditor’s Office was given responsibility for auditing special education programs exhibiting unusual rates of growth, extraordinarily high costs or other characteristics requiring the attention of the Safety Net Committee.

This audit was conducted in accordance with the legislation that assigned the State Auditor’s Office responsibility for auditing special education programs. The Brinnon School District is among approximately 30 districts to be selected for a program audit this fiscal year. The district’s program was selected based on two factors. First, the overall increase or change in the special education population between 1994-95 and 1995-96. The second factor was the applications submitted to the Safety Net Committee.

AUDIT SCOPE

We examined student Individual Education Programs (IEPs) and other district records concerning the assessment and evaluation of students. We reviewed the special education program for efficiency and effectiveness. We also looked at records and data to determine the accuracy of statements made to the Safety Net Committee.

The methods used to perform this audit included detailed reviews of district records, staff interviews, observation of the program and analysis of data derived from the district and other sources when appropriate. Specific methods used for the examination of each audit objective are detailed in the working papers.

SCHOOL DISTRICT DESCRIPTION

Brinnon School District is a municipal corporation organized pursuant to Title 28A *Revised Code of Washington* (RCW) to provide public school services to students in grades K-8. Five elected board members have oversight responsibility for the district. The board appoints district management and has fiscal responsibility for the district.

District officials who were key contacts during this audit include:

- Mr. James Workman, Superintendent
- Ms. Julie Baker, Special Education Director
- Ms. Sue Hardie, Business Manager

Brinnon School District is located in Jefferson County and consists of one school. The district is a non-high district serving only grades K-8. The 1995-96 district enrollment was 114 students, of which 30 were special education students. The special education enrollment increased to approximately 26.57 percent of the total enrollment from the 1994-95 percentage of 20.74.

AUDIT RESULTS

Objective 1:

To determine whether the Brinnon School District Special Education Program effectively and efficiently provides a Free and Appropriate Education (FAPE) to special education students as defined by the *Washington Administrative Code* (WAC).

Conclusion:

WAC 392-172-035 defines FAPE as special education and related services that are provided at public expense, meet the standards of the state education agency, include preschool, elementary school or secondary school education, and conform with individualized education program requirements. The Brinnon School District provided FAPE to its 1995-96 special education students.

The district has a referral and evaluation process for students with needs that may not be met in the general education classroom. In the 1995-96 school year, the special education enrollment in the district was significantly above the 12.7 percent index established by the new funding formula. Districts have been accorded a four year window to decrease, if necessary, their special education enrollment. The district may lose funding for students served over the 12.7 percent index.

The district's special education enrollment grew 5.8 percent from 1994-95 to 1995-96. The primary cause of this growth was students transferring to the district with IEPs. The district has begun to evaluate its special education referrals in the following manner:

- The district is taking a closer look at students to assess whether they are "in need of special education" or whether accommodations or modifications can be made in the general education setting.
- The district is considering more education alternatives before referring students to special education.

The district's program consists of a resource pull-out program in conjunction with in-class services. The pull-out portion of the program is designed to work on IEP goals while the in-class portion provides students with support in the regular classroom. The program has one certificated special education teacher, who also is the special education director, and one educational assistant. Related services personnel are contracted by the district or shared with neighboring school districts.

District Response:

The Brinnon School District has read and agrees with the report from the State Auditor's Office. This district is concerned about the possibility of the report implying that we are doing "just fine" with the new funding formula. We would not agree with that conclusion.

The district would like to address this issue with a response to Objective 1 regarding the potential impact the new funding formula has on continuing to provide a Free and Appropriate Public Education (FAPE) and with a response to Objective 4 which discusses this district's need for the attention of the Safety Net Committee. We consider these two issues to be intricately related.

The Brinnon School District was able to provide an adequate special education program for students in need due to the dedication of district personnel and the funds generated by the Safety Net process. We are concerned that the new funding formula does not recognize the differing needs of students from one year to the next. For example, in the school years of 1994-95 and 1995-96, this district had approximately 1/4 of our special needs students with high needs (i.e. 1/2 day in self-contained classrooms, one-to-one direct teaching and behavior interventions). In 1996-97, nearly all of our special needs students are in the program level which requires a moderate to minimal program (i.e. 60-90 min./day outside of the general classroom plus curriculum adaptations and direct teaching methods in small groups). Yet, the funding formula only counts students, not the amount of time which needs to be spent with them by staff.

The district can not operate efficiently on a daily basis with appropriate programs for all students while the availability and granting of safety net funds remain uncertain. The mismatch in the timing of receiving these funds creates further problems. The district may have students who require a full-time assistant at the beginning of the year, yet not know if sufficient funds will be available to cover such expenditures until nearly the end of the year.

As a small, rural district, Brinnon already has to deal with limited quality resources and personnel. The new funding formula adds the uncertainty of available funding. We have maintained a high quality special education program due to dedicated administration and teaching personnel. However, we can not provide for the needs of special education students at the risk of taking from the general education population. The school district is put into a precarious position when it is legally mandated to provide a free and appropriate public education, yet runs the risk of not being funded. Inadequate and/or delayed funding puts the district in the position of denying necessary services to special education students (illegal) or taking money intended for non special needs students into the special education program (unethical). It is this districts position that the current funding formula without the safety net funds is inadequate to provide FAPE and that even with the safety net provisions, the uncertainty and timing of the granting of these funds make it impossible to provide an efficient program from the beginning of the school year without negatively impacting other programs in the district.

Objective 2:

To evaluate the Brinnon School District Special Education Program system of internal controls that ensure compliance with state and federal special education requirements.

Conclusion:

Internal controls are established to direct the special education referral process and ensure continuing compliance with special education requirements. We conducted interviews with the special education teacher and the district business manager to document and assess the staff's understanding and compliance with the process. The interviews and our student file review established that an internal control process is in place, appropriate personnel are

assigned to oversee the process and special education staff know and attempt to follow the process.

The district is also aware of and follows the eligibility criteria for counting a student on the monthly P-223H Form. This criteria states that a student's evaluation and IEP must be current on the count date. We feel that the district has adequate controls to ensure an accurate count.

District Response:

No response.

Objective 3:

To verify that the Brinnon School District Special Education Program IEPs are appropriate and properly prepared.

Conclusion:

We reviewed 20 special education files to determine if they complied with state and federal procedural requirements and directives. These files represented nearly all of the 1995-96 special education files for the district. We found the Brinnon School District IEPs to be appropriate and properly prepared.

District Response:

No response.

Objective 4:

To determine why the Brinnon School District Special Education Program exhibits high rates of growth, extraordinarily high costs or other characteristics that require the attention of the Safety Net Committee.

Conclusion:

As noted in Objective 1, the district's special education enrollment grew 5.8 percent from 1994-95 to 1995-96. The primary cause of this growth was students transferring to the district with IEPs. The funding formula allows a grace period for districts to reduce their special education enrollment percentage. During the first year of the grace period, districts above the 12.7 percent index were funded for up to 75 percent of the 1994-95 enrollment percentage or the actual 1995-96 percentage, whichever was less. Brinnon's 1995-96 special education percentage exceeded the 75 percent limitation. Therefore, the district's program

was funded at the reduced percentage of 18.73. This effectively reduced the average excess cost allocation available for eligible special education students.

We also considered whether the district has unusually high costs not considered in the new special education funding formula. We reviewed program staff levels and budgets before and after the funding formula change. We noted that the state funding formula generated less special education revenue for the district in 1995-96 than the previous year although the district served more students.

The district applied to the Safety Net Committee in three categories, Maintenance of Effort State Revenue (MOESR), special costs and characteristics and high cost student. The district received awards in each category.

The district's 1995-96 MOESR award did not return the state special education allocation to its 1994-95 funding level. The safety net MOESR awards focus on providing sufficient state revenue to maintain district expenditure effort in aggregate or per pupil, whichever is less. However, because the district was over the 12.7 percent index in the formula, the Brinnon per pupil calculation of MOESR was limited to 75 percent of the district's 1994-95 special education population. As discussed earlier, the district's actual 1995-96 special education population did not decrease to 75 percent of its 1994-95 level, rather it increased 5.8 percent.

Brinnon School District was one of three districts in the state that received safety net funds for the special cost and characteristics category. The district application to the Safety Net Committee presented the following information.

- The district is a small community with a greater than 60% poverty level. There is no industry in the area and a small middle-class population.
- The district made no significant changes in special education services provided from 1994-95 to 1995-96.
- The district is diligent in qualifying new students and continuing to qualify existing students. However, the district can be impacted by the movement of one or two students. The district continues to address ways to decrease the current percentage of special education students, without denying appropriate and necessary services, to the 12.7 percent index.
- The district special education enrollment increased between 1994-95 and 1995-96. The increase was a result of students moving into the district with existing and appropriate IEPs.

During the course of our audit, we found all of these statements to be factual.

The district submitted one application for a high cost student during 1995-96. This application was for a student that had been in the district since 1989. The safety net award

was requested to fund a change in service recommended by the Multi-Disciplinary Team (MDT). The award was expended for tuition at an out-of-district school.

The district had no significant changes in the services provided between 1994-95 and 1995-96. We reviewed the 1995-96 special education program and determined that the district provided appropriate and necessary services to its special education population with its available revenues, including safety net awards.

We found the district made the entire basic education portion available to the special education program for each special education student in 1995-96. During the 1995-96 school year, this revenue was expended for salaries of the special education director and a part time staff member to work with special education students. During the 1996-97 school year, this revenue funds partial salaries for basic education teachers since they also work with special education students. In 1995-96, the basic education revenue available exceeded expenditures for special education. The remaining revenue paid for indirect costs for basic education.

Before 1995-96, the special education formula automatically allocated part of the basic education revenue to the special education program. This allocation was based on an assumed amount of time that students spent in special education programs. The formula also assumed that the greater the amount of time spent in special education classes, the more basic education delivered in the special education program.

The new formula allows districts to allocate the basic education dollars associated with special education students. Presumably, the district can better allocate basic education revenue based on the actual service delivery patterns. The allocation could result in more or less basic education revenue available to the special education program. However, all of the basic education revenue is at the school district to serve those students.

District Response:

The Brinnon School District has had and continues to have a percentage of special education students well over the 12.7% funded by the state. Historically 20-30% of our students have been in special education. Without denying proper identification of these students, we do not expect to see our special education population at or below the 12.7% state average.

The district has received safety net funds for 1995-96 and 1996-97 which have allowed us to maintain an appropriate special education program. We would not have been able to fund this program without safety net funds without putting other, unrelated district programs in jeopardy.

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The special education program at the Brinnon School District was monitored in 1995-96, audited in 1996-97, and has annual child count verification. All agencies have found our categorizing of student to be appropriate, yet the state funding formula insists it wants to fund us at 12.7%. If the state is committed to adequately funding all students, then it should be looking at the actual number of students and not at some arbitrary state-wide average. If it wants to use a state-wide average, then determine the average cost per student and fund districts that amount for their actual students. That, of course, raises the issue of different costs for different types of students. We know it is not a simple problem with a simple solution, but the current formula, even with safety net funding, is not the solution.

Objective 5:

To identify elements of the Brinnon School District Special Education Program that could be considered for implementation at other school districts.

Conclusion:

We did not identify specific elements of the district program that could be considered for use at other districts. However, it is evident that cooperation and involvement exist between the general and special education staffs. There is also considerable community involvement in the school district.

District Response:

No response.

ADDITIONAL INFORMATION

It is important to note that this audit does not replace, or otherwise duplicate, the regularly scheduled audit of the district that includes a review of financial statements and compliance with laws and regulations. Accordingly, we do not express any opinion related to those items in this report. We did consult with the financial auditors and brought items to their attention when warranted.

The audit of the Brinnon School District Special Education Program was performed in accordance with generally accepted government auditing standards. As such, it included such tests of records and other audit procedures we considered necessary, including a review of management controls where appropriate.

This report is a public document. To obtain additional copies of this report, or for questions related to the audit, address inquiries to the State Auditor's Office, P.O. Box 40021, Olympia, WA 98504-0021 or call (360) 753-4792.

Brinnon School District No. 46 Special Education Program Audit Addendum

Directory Of Officials

Elected

		<u>Expiration</u>
Board of Directors: Chairperson	Karen Martin	December 1997
	Joy Baisch	December 1997
	Ervin Wasser	December 1999
	Marjorie Mueller	December 1999
	Bruce McDermott	December 1999

Appointed

Superintendent	James Workman
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Mailing Address

District	46 Schoolhouse Road Brinnon WA 98320
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